

Message Text

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17

ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 AF-08 EA-07 EUR-12 NEA-10 AGR-05

CEA-01 CIAE-00 COME-00 DODE-00 FRB-03 H-02 INR-07

INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05

CIEP-01 SS-15 STR-04 ITC-01 TRSE-00 USIA-06 PRS-01

SP-02 OMB-01 FEA-01 XMB-02 OPIC-03 AGRE-00 /129 W

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R 282030Z SEP 76

FM AMEMBASSY SANTO DOMINGO

TO SECSTATE WASHDC 8391

C O N F I D E N T I A L SANTO DOMINGO 4737

E.O. 11652: GDS

TAGS: EAGR, ETRD, DR

SUBJECT: GROWING NEGATIVE EFFECT OF TRIPLING SUGAR TARIFF

REF: SANTO DOMINGO 4646 AND 4688

1. REFTELS HAVE DESCRIBED SOME OF THE LOCAL NEGATIVE REACTION TO THE U.S. DECISION TO TRIPLE THE SUGAR IMPORT DUTIES. WE SHOULD REPORT THAT, IN ADDITION, THE U.S. ACTION HAS CAST GLOOM OVER THE USUALLY CHEERFUL DOMINICAN BUSINESS COMMUNITY. UNCERTAINTY OVER FUTURE BUSINESS CLIMATE HAS CAUSED A NUMBER OF ENTREPRENEURS TO BECOME VERY CAUTIOUS UNTIL THE FULL IMPORT AND IMPACT OF THE U.S. ACTION BECOMES CLEAR.

2. OUR PALACE SOURCES INFORM US THAT PRESIDENT BALAGUER IS QUITE CONCERNED OVER THE U.S. DECISION. HE SEES THAT A NUMBER OF COUNTRIES ARE SELLING SUGAR TO THE U.S. WITHOUT PAYING DUTY BECAUSE THEIR SALES ARE LESS THAN DOLLARS TWENTY-FIVE MILLION (AT TODAY'S PRICES, THAT'S A LOT OF SUGAR); HE SEES THAT A NUMBER OF OTHER COUNTRIES HAVE MADE LONG-TERM CONTRACTS TO SUPPLY THE U.S. SUGAR MARKET; AND HE SEES HIMSELF BEGINNING TO BECOME ISOLATED AND DISCRIMINATED AGAINST, ALTHOUGH HE HAS
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BEEN A RELIABLE SUGAR SUPPLIER IN THE PAST. THIS DEPRESSED MOOD COMBINED WITH A SITUATION OF LOW SUGAR PRICES, HIGH

PETROLEUM PRICES WITH PROSPECTS OF AN INCREASE, SERIOUS
ELECTRICITY SHORTAGES ADVERSELY AFFECTING FACTORY PRODUCTION
WHILE PRODUCING ONLY FRAYED NERVES AMONG THE INCONVENIENCED
MIDDLE AND UPPER CLASSES ARE BEING CLOSELY WATCHED BY THE
MODERATE POLITICAL OPPOSITION, THE MILITARY AND THE EXTREME
LEFT.

3. COMMENT: IN FRAGILE SOCIETIES, SUCH AS THE DOMINICAN,
IT DOESN'T TAKE MUCH TO CHANGE POLITICAL TRANQUILITY
AND A BUOYANT BUSINESS OUTLOOK INTO ATTITUDES LESS FRIENDLY
TO OUR INTERESTS.
HURWITCH

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